GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

STARRED QUESTION NO:61
ANSWERED ON:22.11.2001
LIFTING OF BAN ON AGENTS
PRABODH PANDA;PUTTASWAMY GOWDA

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government have lifted the 14 years ban on agents in defence deals;

(b) if so, the details thereof and the reasons therefor;

(c) whether any guidelines and regulatory mechanism have been put in place for the registration of such agents;

(d) if so, the details thereof;

(e) whether with the appointment of middlemen in arms dealings, the Government have taken all possible steps to keep defence matters secret or confidential; and

(f) if so, the steps likely to be taken in this regard?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 61 FOR 22.11.2001.

1. A comprehensive formulation of the role, if any, which Authorized Representatives/Agents/or Sales Consultants employed by Foreign suppliers for the promotion of their product, may legitimately be expected to play, has been receiving the attention of Government for some time. The entire policy has been extensively reviewed recently with the objective of defining the scope, extent and the condition within which such Authorized Representatives/Agents may be allowed to represent a foreign supplier or suppliers.

2. Based on this review and in order to bring greater transparency to the whole procurement process and realizing that the presence of an Authorized Representatives / Agent would improve the delivery of services & follow-up of post contractual obligations, the Ministry of Defence have on 2nd November 2001 issued supplementary instructions on the appointment of Indian Authorized Representatives/Agents of foreign suppliers. The Authorized Representatives would make available information of latest technologies, assist during trials & help in post contractual servicing.

3. The salient features of these instructions are -

(a) All foreign suppliers who wish to appoint Indian Authorized Representatives/Agent would register them with the Ministry of Defence.

(b) The Authorized Representative/Agent could be an individual, a partnership, a limited company Private or Public.

(c) The agent must be an income tax payee.

(d) The foreign supplier appointing an agent must furnish copies detailing Agreement/terms of appointment of Authorized Representative/Agent.

(e) The obligations of an agent will flow from the contract entered with the Ministry of Defence.

(f) The foreign supplier will have to declare the payments made to the Authorized Representative/Agent.

(g) Particulars relating to agency commission would be reported to the Enforcement Directorate, of Central Board of Direct Taxes by the MOD.

(h) The agent will be appointed with the approval of the Secretary of the Department.

(i) These instructions will be applicable for future contracts only.

4. Adequate safeguards have been provided in the guidelines. In case an Original Equipment Manufacturer or his Authorized Representative/Agent is guilty of infringement of the terms of his contract or accreditation suitable penalties have been provided for in the contract and in the guidelines.